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ABSTRACT

This report summarizes evidence of a decline in government financial aid to students attending independent colleges and universities that have made contributions to the state by providing the state economy with competent professionals, and by offering educational opportunity to members of ethnic minorities. However, a state policy commitment to these institutions has been eroded by inflation and budget competition. Six criteria for alternative private sector resources are that they must recognize the limits on family, college and student resources in meeting tuition; that they must further enhance the opportunities for low income and minority students; that selection of students should be based on merit; that there should be reciprocity with donors through recognition of their gifts; that initiatives should build on the educational strengths and autonomy of these institutions; and that the effort should clearly be feasible. In applying these criteria the report develops three models: (1) an annual coordinated state-wide collective fundraising campaign for aid to students; (2) a statewide scholarship program based on merit; and (3) an information and management service to monitor the program's effectiveness. Four tables are included; the appendixes provide descriptions of 11 additional alternatives and 8 model programs.

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Toward an Independent Solution

New Student Aid Resources for Independent Colleges

A report of the

Independent
Solution
Project

HE 024 826

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Toward an Independent Solution

New Student Aid Resources for Independent Colleges

MAY 1991

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Preface

With declining government funding the independent colleges of California will need much more help if they are to provide adequate financial aid to their students. This help will almost certainly have to come from private donors—corporations, foundations, associations, and individuals— or it will not be forthcoming.

The help private donors could provide is not just desirable, but critical. The facts behind this conclusion are these:

- Independent college students are much more likely to need aid, and more of it, than their counterparts attending public institutions, because of the tuition independent colleges must charge to cover their costs.
- There is clearly much less aid now available from public sources toward meeting student financial need at independent colleges than in the late 1970's, after taking inflation into account. For example, had the Cal Grant Program been adjusted adequately for inflation since the mid 70's, independent college students would be receiving $75 million more in Cal Grant funds than is currently the case.
- The independent colleges themselves cannot, for much longer, meet financial aid needs from their own resources. In many colleges salaries, library, maintenance, and other functions have been reduced because of the decline in external funding.
- A solution to the financial problems of independent college students, therefore, requires more tuition-sensitive aid from either public or private sources outside the colleges themselves.
- With *both* federal and state governments facing a multitude of agonizing budget choices, it is difficult, if not impossible, to foresee a time when public funds will again be available on the scale of the past.
- This prospect, in turn, means that new ways to involve private sector resources must be explored, as an urgent matter.
- Without such private resources the educational opportunities afforded by the independent colleges will be denied to large members of the middle income, low income and minority students the colleges now serve.

This report documents these assertions. It describes the problem and proposes solutions by exploring program alternatives for involving more private sector resources in providing financial assistance to students attending the independent colleges of California. It is our hope that publishing this report will stimulate discussion of these alternatives and encourage formulation of additional options.

In this effort to find solutions, many kinds of expertise are needed. Student aid administrators know where the financial need is, and how to deliver aid to meet it. Development directors know donor communities and their priorities. Financial officers and admissions directors know first hand the problems created by a scarcity of aid funds. All of these talents are needed.

This report has been presented to two advisory committees, to the project steering committee and to the Executive Committee of the Association of Independent California Colleges and Universities (AICCU).

This report has, of course, also been presented to the three organizations sponsoring the project—the Independent Colleges of Southern California, the Independent Colleges of Northern California, and AICCU—and to the organizations that have financed the project, the James Irvine Foundation and the College Board. Thanks for support from all of these sources are plainly in order.

Executive Summary

The report summarizes evidence that a long-term decline in the availability of government financial aid to students attending independent colleges and universities in California is having extremely serious effects.

- It is seriously reducing educational opportunities.
- It is eroding the survival chances of these institutions.
- It could weaken academic quality.

These adverse trends continue despite the fact that the independent colleges are a bargain for the people of the state and provide important kinds of leadership for higher education as a whole. The report recommends efforts to raise money from the private sector for scholarship programs that would reduce the tuition barrier to attending independent colleges. The program alternatives suggested are designed to be responsive both to the financial problem and to the concerns of donor communities.

The independent colleges and universities of California have made outstanding contributions to the state, and stand ready to continue those contributions:

- They offer students an opportunity to choose the learning environments that best match their talents and aspirations. As a result, relatively few of their students drop out before graduation.
- They give values a place in teaching and learning. As a result they produce responsible, thoughtful citizens active as leaders throughout the state.
- They are a vital part of the "pipeline" that supplies the economy of the state with the competent and versatile professionals it needs. They graduate more of the students they enroll as undergraduates, and they train far more than their share of students who receive graduate or professional degrees in the state.
- They have moved decisively to bring more members of ethnic minorities into the mainstream of opportunity.

Public policy is, however, failing to preserve the assets represented by the independent colleges and universities. In the 1950's and the 1960's California was a leader in the nation in providing state funding for scholarships that allowed talented students with financial need to pay almost all the

tuition that the independent colleges must charge because they do not receive direct state subsidies. This policy commitment has eroded in the conditions of inflation and budget competition that have prevailed in the 1970's and 1980's. The average percentage of tuition that a Cal Grant State Scholarship holder could pay with his or her grant in 1989-90 was only 46% despite:

- The recommendation of the Commission on the California Master Plan for Higher Education that the educational purchasing power of the grants be restored.
- The fact that each student enrolled in an independent college rather than a public university saves the state of California at least $7,000 in operating subsidies—let alone the cost of building new public institution facilities.

California is approaching a "use or lose" situation with regard to its independent colleges. The gap between the tuition charges of public and independent colleges has been allowed to grow too wide. The advantages of the independent colleges—their educational assets and their autonomy in seeking new effectiveness and efficiency—are often no longer enough to outweigh the difference in price. The independent colleges have had to allocate more and more of their unrestricted funds to student aid to close some of the gap:

- Seventy per cent of their students needed aid for academic year 1989-90.
- Federal and state programs provided only 28% of grant funds in that year, down from 72% in 1979-80.
- The burden has been almost exactly reversed: the independent colleges now provide 72% of grant funds themselves, up from 28% in 1979-80.

Because an increasing share of college revenues have had to be channeled into student financial aid, the share available to improve instruction has fallen. Such trends obviously cannot continue indefinitely. Tuition cannot continue to increase rapidly, college funding of aid cannot keep growing and educational priorities cannot be endlessly deferred.

It is clear that what is needed is more student financial aid from sources outside the colleges themselves. The lack of such aid drives up tuition charges, diverts resources from educational uses, discourages parents and students from choosing an independent college and often leads students into excessive borrowing.

The case for additional student financial aid resources has been made effectively to state government, and is not seriously disputed in Sacramento. Yet, at the same time, budget constraints in state government grow ever tighter, and the prospect of adequate public funding recedes. More and more clearly, the alternatives are either to bring private sector resources to bear on the problem, or else to see a serious shrinkage of the capacity of the independent colleges to perform their role in providing higher education opportunities to the people of the state.

Widespread misconceptions about the situation of independent colleges and their students are part of the problem:

- It is thought that public student assistance programs have solved the problem. In fact, state funding alone has dropped 40% in purchasing power since the late 1970's.
- It is thought that independent college students come from rich families. In fact, 36% of these students come from families with incomes less than $36,000 in 1988-89 (compared with 30% of University of California students).

- It is thought that the colleges themselves are rich. In fact, their average endowment per student is low.
- It is not realized that student aid needs to be in amounts large enough to reduce significantly the public-independent tuition difference, if a genuine choice is to be offered.
- It is not realized that the independent colleges have moved faster than major public institutions in recruiting and graduating students from ethnic minorities, many of whom require financial assistance.

The suggestions made in this report to put the financing of independent college attendance on a sounder footing have been based on an evaluation of many efforts around the nation to involve private sector resources in student financial assistance. They have been selected on the basis of six criteria:

(1) The solution must be responsive to the problem in recognizing the limits on family, college and student resources in meeting independent college tuitions.

(2) A new initiative should further enhance equality of opportunity for low income and minority students.

(3) Selection of students should be based on merit assessed in terms that assure the students receiving aid will be good investments.

(4) There should be reciprocity with donors through recognition of their gifts, both on campus and off campus.

(5) An initiative should build on the strengths of the independent colleges—both their educational strengths and their autonomy in making recruitment and financial decisions.

(6) A new effort should clearly be feasible from the start. That is, it should employ only systems for raising funds and allocating them to students that have been widely and successfully used.

Applying these principles, the report narrows down the selection to three models for consideration: First, there should be an annual coordinated state-wide collective fund raising campaign for aid to students attending independent colleges. Funds would be sought from corporations, foundations and individual donors on the basis of the values represented by the independent colleges and the financial threats to their continuing ability to offer students an educational choice.

Second, the funds obtained should be awarded to students through a statewide scholarship program based on merit. The amount of the scholarship would usually be based on financial need, reflecting primarily family ability to pay and tuition costs. The scholarships could be awarded in any year of college and would be renewable for the balance of a student's standard four year college career. Aid would be coordinated with that available from state and federal programs.

Third, an information and management service should be established. It would monitor the effectiveness of the scholarship program in meeting student and college needs. It would assist donors of student aid funds who wish help with the technical and administrative tasks of operating their own scholarship programs. But a major part of its effort would be to provide information counter to that which has led too many people to believe either that independent higher education is not affordable or that the student aid resources available are adequate. This proposal would thus support both fund-raising efforts and the administration of the proposed scholarship program.

Part One

The Structure of the Problem

I
Introduction

The independent colleges and universities of California serve the people of the state well, yet their viability is financially threatened. Existing without direct state subsidies, they must largely pay their own way by charging tuition. The obvious way to enable students to overcome this tuition barrier is to provide compensating student financial aid. This obvious approach was once the clear and adequately implemented policy of state government. It is so no longer. Without such support, or its equivalent from the private sector, the amount and quality of the services the independent colleges provide simply cannot continue.

The opportunity to attend an independent college is many different opportunities, and their variety is the source of much of their value to the people of California. This variety allows a student to make a genuine choice of the environment for learning that will serve that student best.

Because such a genuine choice is also a personal commitment, motivation to learn is reinforced. Because of such personal commitments, it is easier for independent colleges to forge a genuine sense of community. Alexander Astin of UCLA* concluded that "students become much more involved both academically and non-academically in private colleges." Involvement is, indeed, part of what independent colleges are all about. Their graduates are involved in their communities as businessmen, engineers, teachers, health professionals, and community leaders in every field.

Involvement and sense of community provide important support to students who too often fare poorly elsewhere. Thus, for example, the rates for graduation within five years for Black and Hispanic students attending independent colleges are higher (57% and 63% respectively) than for students in general at the University of California (55%), and *much* higher than for these minority groups at the University (36% for Black students, 39% for Hispanic students).

* Alexander Astin is Director of the Higher Education Research Institute at UCLA.

Financial Differences and Similarities

Variety appears to characterize the finances of the independent colleges as well as their educational programs. A few have substantial endowments, although many have almost none. Some have government research grants, although, again, many have none. A few pay their professors very well, but many not well at all. Some have financially prospering professional schools, some have none.

The danger is that the public—and potential private donors—will deal with this variety by putting together a composite stereotype of the finances of independent colleges that is largely untrue of any of them and entirely false for most of them: a picture of an institution with an enormous endowment, a student body consisting of rich kids, and charging utterly intimidating tuition. Although averages do not say much about so varied a set of institutions, averages do serve well to contradict such a stereotype:

- The estimated median family income of full-time dependent undergraduate students in 1989 was $50,336 in 1989, compared with $53,074 at the University of California.
- The average tuition charges for full-time students is $11,275 in 1990-91. (Corresponding fees at the University of California and at the California State University are $1,820 and $911 respectively.)

There are two things that the independent colleges have in common financially that distinguish them from all public institutions: dependence on tuition revenues to accomplish their educational missions and financial autonomy in finding ways to perform those missions. These two facts—dependence on tuition and autonomy in governance—explain the enormously important role that student financial aid has in the affairs of these institutions and why they need outside help in supporting their students financially.

Thus, it is tuition dependence that explains why independent college tuition charges are relatively so high. Tuition payments must take the place of the subsidies the state pays to public institutions. The need for tuition levels high enough to meet costs, in turn explains why so many independent college students—over 70% in academic year 1989-90—need financial aid. For their students are not from richer families than students attending public four-year institutions, and they must find ways of meeting those higher tuition charges. Students attending public institutions have much less need for aid because their education is financed mostly by state subsidies to their institutions rather than by tuition. All students at public institutions, in effect, receive scholarships covering most of what would be their tuition.

The same facts mean that every student who attends an independent college saves the state a great deal of money. According to the California Post Secondary Education Commission, support costs per student are $11,592 at the University of California and $7,005 at the California State University*. Every student who attends a public four-year institution rather than an independent one, simply *because* of the subsidy, costs the state this much more than it needed to spend.

Tuition, Autonomy, and the Sources of Aid

The other common and distinguishing characteristic of the independent colleges—

* The figures exclude professional school students and their support.

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their autonomy—explains how they manage to live with their need for more student financial aid to many more of their students. They autonomously set the tuition they will charge and then allocate tuition and other revenues among their educational priorities and the financing of enough student aid to meet their students' needs. When they have to allocate more and more of their revenues to student aid—as in the last decade—they are in trouble: Either educational priorities must eventually be starved or else tuition charges must be raised still higher, increasing the disparity with public institutions that must be compensated for by aid. This seems to have been just the situation among California independent colleges in the mid-1980's. The Eureka Project study of student financial aid in California found that among a set of these colleges, inflation adjusted tuition charges grew at an average annual rate of about 5%, but internally funded aid grew at an annual rate of 18% and instructional expenditures at a rate of only 1.5%.

Such effects can be reversed when more student aid funding becomes available from external sources: more revenue can be devoted to educational priorities and there is less need to increase tuition charges. The tuition gap then narrows rather than widens, educational values are enhanced, and the state has fewer students to subsidize in public institutions.

Each independent college has to work out its own solution to the common problem of tuition dependency, making its own autonomous choices. Having to work through this problem is what they all have in common, despite differences in educational missions, financial resources and competitive position. Increasing aid funding from external sources increases the likelihood that more of the solutions will be successful. Hence, the independent colleges have a common interest in such funding, despite their great variety.

Autonomy and Efficiency

Aid from external sources is also a public interest, for the independent colleges of California have another characteristic that springs from their autonomy: a common interest in efficiency. For all of them the Ben Franklin principle applies: a penny saved *is* a penny earned. Savings from the more efficient use of resources translate directly into greater availability of funds for educational priorities, for student aid and for holding down tuition increases. Because the independent colleges have varied missions and are committed to educational approaches requiring differing mixes of resources, each of them prefers to save money and spend it in different ways. But their autonomy means that they have a common powerful incentive to efficiency: they may spend what they save as they like. Public institutions are rarely in this situation.

Adverse Trends

These basic facts of life for independent colleges have particular meaning in the context of recent history. Over the past fifteen years, public student aid programs have become less and less adequate to the needs of independent college students. Government grant aid has come to meet a smaller and smaller fraction of need and a smaller and smaller fraction of students eligible for the available grant aid are attending independent colleges. As late as 1977, 48% of Cal Grant recipients were attending independent colleges; the percentage in 1989-90 was only 29%. In 1977 13% of Pell Grant funds in California

went to students attending independent colleges; that percentage in 1989 was only 5%.

These developments have meant harder and harder choices for the independent colleges. They have made the choices autonomously, but they have made them most painfully and reluctantly. It is worthwhile to look in detail at just how this has happened and how *all* the parties to independent higher education have had to cope with the decline in the adequacy of public aid resources. Such an examination helps to see how the financial situation of independent colleges has become increasingly grim, in some cases perilous.

II
The Problem

The sacrifices that all of the parties make—parents, students and colleges—are very real, and certainly belie any picture of the participants in independent higher education enjoying affluence. Many students and parents do, of course, accept low-priced public institution education when they would have preferred an independent college. But those families that go ahead with the choice of an independent college have to cope with a formidable problem.

Everyone knows that parents dread paying independent college tuition. It is a reasonable dread. Those families who are ordinarily ineligible for both federal and state student aid—that is, with 1989 family incomes over $55,000—must somehow each year find $7,000 to $12,000 more to cover the costs of attending an independent college in California than it costs to attend the most expensive public institution, the University of California. The difference is almost entirely tuition. An important aspect of the problem that is not widely understood is that those parents who are just barely ineligible for student aid are expected to pay the highest percentage of their incomes to meet college costs. This is because, at lower incomes, need analysis "taxes" incomes progressively, but not above this level. There is a very real sense of sacrifice for families around this income level.

Also too little understood are the sacrifices that independent college *students* must make. Student aid packages at independent colleges now invariably include a "self-help" category. Traditionally, "self-help" has meant the student's own efforts to find resources to meet college costs, either by working at a job while in college (and committing current earnings) or by borrowing (and committing future earnings). However, in the last 15 years the term "self-help" has increasingly become a euphemism for an often desperate effort to marshal resources that hardly conforms to the "American-as-apple-pie" picture that the words themselves conjure up.

For one thing, "working your way through college" is simply no longer possible to the extent the tradition would have it, especially at an independent college. This can be seen in terms of the percentage of typical college costs, public and private, that can be met by working 20 hours a week at a federal minimum wage job, and full-time during the summer. In 1970 it was 171% of public four-year college costs nationally and 48% of independent college costs. By 1989, these percentages had dropped to 138% and 40%. Of course, some students have opportunities and skills that earn them considerably more than the minimum wage. But, frequently, the student must simply work more hours, or take on more than one job, or "stop out" for a year of full-time work to try to cover college expenses.

These are not choices that come without educational costs. If the student is lucky, he or she can chalk up such jobs to useful experience

and valid career exploration. But jobs—good or bad—also involve delay, distraction and a paring-down of time available for study and useful extracurricular experiences on campus.

Because student earnings cannot usually cover the amount of students' self-help expectations, independent college students with financial need ordinarily must take out loans as well as work in jobs. As recently as the early 1970's loans were an a*lternative* to jobs. Now, both jobs *and* loans are needed to bridge the gap. Students usually borrow *at least* the maximum they are allowed in the Stafford (GSL) Student Loan Program. For independent college students this part of the aid process has become virtually automatic: determination of financial need, followed immediately by an assumption that the student will take out a Stafford loan for the maximum amount allowed. Such loans have not only ceased to be an alternative source of financing, they have become the *first* source after a standard parental contribution.

The Colleges' Own Contributions

It is to keep the situation of students and their families from becoming unbearably desperate that the colleges themselves have come to search—sometimes also desperately—for additional aid resources. In understanding this search, it is important to distinguish the *given* sources of a college's funds for such purposes from its *marginal* sources of funds—the possible sources of the *next* dollar of grant aid. Independent colleges have long had endowments that provide a continuing stream of funds for grants and scholarships. They also receive allocations of funds from external sources such as the Supplemental Educational Opportunity Grant program of the Federal government. Their qualified students bring with them various kinds of grant aid that they can use at the college of their choice—e.g. from the Pell Grant program and the Cal Grant programs in California.

The problem for the independent colleges is the inadequacy of funds from these sources compared with the measured financial need of their students. The colleges must try to find a*dditional* funds and they must, at the margin, be either new funds or funds reallocated from some other purpose. And they must ordinarily be *grant* funds, because the need for the aid arises precisely because the student is already earning and borrowing all that he or she prudently can, and his or her parents are already contributing all *they* can.

One recourse, at the margin, is to shift general operating funds to student aid. The colleges can do this by reallocating funds already available to the budget, or they can, in effect, divert funds to student aid at their source. They can do the latter by, for example, asking alumni and other donors to give for student aid, knowing that this is likely to mean fewer gift dollars for other purposes. In either case, increased allocation of funds for student aid means that less is available for other priorities. Currently, more competitive faculty salaries, modernization of physical plant and equipment, and curriculum innovation are such priorities across the spectrum of independent colleges. Other purposes differ from college to college. Finding additional money for student financial aid takes money away from these priorities. Thus, what the colleges do in order to make up for the lack of enough external aid funds entails real costs and sacrifices, just as do sometimes excessive "self-help" expectations. They may be less conspicuous costs, because they are opportunity costs, but they are even more clearly *educational* costs.

* These figures are not adjusted for the student's subsistence costs over the summer months.

It is therefore troubling, even as it is praiseworthy, that independent colleges themselves have taken over from government the leading role in providing grant funds for their students. As Table A, below, indicates, just between 1980 and 1990, the institutions' share increased about two and a half times:

Table A
Sources of Grant Funds to Undergraduate Students Attending Independent Colleges in California

	1979-80	1989-90
Federal Programs	34%	9%
State Programs	38%	19%
Institutional Funds	28%	72%

Generating Aid Funds Internally

One "solution" to the problem of too little external aid turns out to be very unsatisfactory indeed. It is to try to increase institutional revenues by tuition increases. The increased revenues are then available for meeting all of the college's priorities, including additional funding for internally generated grant aid. Some independent colleges have allocated tuition increases in this way for a very long time, at least since the 1950's. In the 60's and 70's some colleges tried standardizing the practice, for example by allocating a standard 7% of any tuition increase to increased student aid funding.

Such modest allocations are easy to justify and can hardly raise serious educational or financial questions. However, in the 1980's, as costs of attendance increased without corresponding increases in external aid, and as many colleges attempted to implement a policy of admitting low income and minority students without regard to their ability to pay ("need blind admissions") the practice has become more hazardous and more controversial. Any even approximately equivalent policy causes the percentage of a student body that is aid eligible with respect to the next dollar of tuition increase to be far higher than in the 1970's. Each tuition increase increases the number of students with financial need *and* the amount of the need of students who already have qualified for aid. The portion of any tuition increase that must, then, be allocated to student aid is going to be much higher than in the 1970's. In 1989-90, 70% of students at independent colleges needed financial assistance. In the early 1970's, probably less than a third did. The percentage would be even higher now but for broadening the group subject to self-help expectations and increasing the amount of the expectation.

If a proportionally large allocation of a tuition increase to student aid is not made, then very serious consequences can follow. A "need blind" admissions policy may have to be abandoned or compromised. The kinds of students who apply and accept admission—categorized by ability and diversity of backgrounds—may change. Worst of all, financially speaking, the total number of those choosing to attend may fall—across all categories of students or among those students who would have little or no financial need but for the tuition increase. Loss of student enrollments from this latter group who, with their parents, can pay most of their costs of attendance, may reduce college revenues drastically with little reduction in the institution's educational and aid outlays.

Each time tuition is increased without a large enough allocation for increased aid, these hazards are increased. The percentage of the set aside required has to increase each time. Although it is still possible to defend the redistribution of financial burdens involved, it plainly becomes harder. There is, moreover, the increasing problem of "sticker shock": the alarm students and parents will feel when they

see the amount of full tuition charges at the institution. That may cause them not to apply for admission, even if they are informed that the college has aid resources that will enable any student admitted to enroll.

III
The Evidence of Adversity

The available evidence indicates that the independent colleges have, in fact, been unable to escape the financial dilemmas described in the preceding section. For most independent colleges, both in California and nationally, student financial aid became a critical issue in the 1980's. As government financial aid for students attending these institutions declined, institutionally financed aid had to expand to take its place.

There was dramatic change on both sides of the equation. Nationally, from 1980 to 1988, federal grants to independent college students dropped from $2.6 billion to $1.1 billion in constant 1987-88 dollars. In the same period institutionally provided grants doubled, from $1 to $2 billion. The small tuition-dependent colleges seem to have been hit particularly hard by this shift. In an analysis of 150 such institutions across the country, the average annual real growth in unrestricted college funded aid was 13.9% from 1979 to 1986, while Pell Grants declined 7.5% annually.

In California funding from major federal grant programs dropped by about 30 percent in real dollars from 1979 to 1986. At the same time Cal Grant support dropped by about the same percentage. To make up for these losses the independent colleges resorted to drastic reallocations of institutional funds. Institutionally funded student financial aid grew about 55% (in real dollars) from 1980 to 1986. More recent data for small independent colleges in California indicate a continuing trend of increases in institutional funding. At six such colleges that report comparable data, these were the following percentage increases in unrestricted funds allocated to student aid from 1986 through 1989:

College A	-	36%
College B	-	25%
College C	-	59%
College D	-	220%
College E	-	85%
College F	-	34%

IV
Looking for Resources

Thus, all of the alternatives to external sources of aid funds turn out to be of limited use and each of them is hazardous to educational values. Increased reliance on student earnings and loans distorts educational participation. Extra demands on parents biases them against giving their children the choice of independent higher education. Allocation of college resources to aid, when those resources are needed to maintain and enhance educational programs, necessarily threatens the quality of those programs. Increasing revenues by raising tuition to pay for more grant aid threatens the considered recruitment policies of the colleges. Most independent colleges have been forced to go down one or more of these paths, but none of them can be considered acceptable alternatives in dealing with the paucity of aid from external sources.

The Decline in Public Aid Resources

The problem then is how to increase the availability of external resources. And there

Table B
Share of Independent College Students Nationwide in Federal Pell Grant and Campus Based[1] Programs ($ in Millions)

Academic Year	Total Aid Allocated		Share of Funds to Students Attending Independent Colleges			
	Current $	Constant 1989-90 $ (USCPI[2])	Current $	% of Total	Constant (USCPI[2])	1989-90 $ (Cost of Attendance Purchasing Power[3])
1979-80	4,079	6,634	1,349	33.1	2,194	3,367
1989-90	6,542	6,542	1,321[4]	20.2[4]	1,321[4]	1,321[4]

Source: The College Board

[1] The "Campus Based" programs are the Supplemental Educational Opportunity Grant Program, the College Work Study Program and the Perkins Student Loan Program.

[2] Estimated USCPI inflation, 88-89 to 89-90, of 4%.

[3] Based on College Board estimates of cost of attendance for private four-year colleges.

[4] College Board preliminary estimates.

Table C
Share of Independent College Students in Cal Grant Programs ($ in Millions)

Academic Year	Total Aid Allocated		Share of Funds to Students Attending Independent Colleges[1]			
	Current $	Constant 1989-90 $ (CACPI)	Current $	% of Total	Constant (CACPI)	1989-90 $ (Cost of Attendance Purchasing Power)
1979-80	86.9	145.7	53.4	61.4	89.5	122.4
1989-90	174.3	174.3	74.8	42.9	74.8	74.8

Source: California Student Aid Commission

[1] Includes small amounts awarded students attending proprietary schools.

are but two kinds of external resources: private gifts and public appropriations.

It would, in a way, be better for independent colleges if there were only one resource to turn to, rather than these two, because this situation has resulted in a good deal of buck passing and confusion. Student aid in the 1950's and early 1960's, was largely an area for private giving. Then, in the early 1970's, public funding increased dramatically. There was a brief four-or-five year period in the middle 1970's when state and federal governments seemed to have assumed the major burdens. Since then, however, public programs have clearly been doing less and less of the job but without private giving having accepted the burden government has laid down.

Total public nominal-dollar appropriations for student aid have, indeed, continued to increase, but much less real support for students attending independent institutions is available. This is partly because much of the increased funding has only served partially to compensate for inflation. Much of the increased funding for Pell grants and student loan interest subsidies has gone to students attending proprietary trade schools and community colleges that participated little, and often not at all, in the public student aid programs of the mid-1970's. Again, a good part of funding increases for federal student loans has merely served to pay off guarantees on defaulted loans. This is an increase independent college students can say, with some pride, that benefits them very little, since they generally have a low-default rate.

Table B (page 18) shows the cumulative effect of the changes on the amount and share of federal funding for student aid, exclusive of the guaranteed student loan program, going to students attending independent colleges nationwide. Table C (page 18) tells a somewhat similar story for the California grant programs.

The reason for showing "Constant Dollars"—that is, inflation adjusted dollars—in these tables is the obvious one: A growth in aid dollars does not mean a growth in the amount of education the dollars will buy if inflation is eroding their purchasing power. Each table therefore shows the 1989-90 equivalent of the funding allocated in the years compared. For the share of independent college students *two* equivalents are shown: constant dollars as adjusted for changes in the Consumer Price Index (nationally and in California) and constant dollars in what is termed "Cost of Attendance Purchasing Power."

What this second equivalent takes into account is not the general change in price levels, but the specific change in average cost of attendance for independent four-year colleges, as estimated by the College Board (for the national table) and the California Student Aid Commission (for the California table). It adjusts both for price increases in subsistence costs (largely room and board) and for tuition and fee increases. These latter increases are, of course, the subject of much complaint. But in the context of the present report their significance is clear: Independent colleges have had to pass on more and more of the cost of the education they provide *via* tuition and fees. Institutional costs have risen, and there has been nowhere else to turn. Efforts to improve quality of education have, no doubt, tended to cause these costs to rise. Competition and other pressures for efficiency have tended to hold them down. But, overall, the price of approximately the same educational product has risen, and the same number of student aid dollars from public sources simply buys less of it. The dollars buy less opportunity and less choice.

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Direct and Indirect Effects

It is important not only to chart the decline in the share of student aid from public sources going to independent college students, but also to understand the mechanisms that have brought about this decline. This is important in the case of the federal programs, and it is essential in the case of California's own grant programs.

The cause of the declining share of aid for independent college students has not been just a result of appropriations failing to keep up with inflation and growth in the numbers of students participating. An important additional cause of the decline has been a set of rules for the award of aid that limit the extent to which the amount of the award can compensate for differences in tuition levels—in particular, the usually large difference between tuition charges at public and independent institutions. Such rules have a *direct* effect on the size of a student's grant or loan amount, and they also have an *indirect* effect on the choices students make. Some students who would prefer an independent college will nonetheless choose a public institution, if the size of the state or federal grant they can receive does not help them enough with paying independent college tuition. The limits on awards in the public programs *both* reduce the share of each student's tuition they will pay *and* reduce the proportion of aided students exercising the choice of an independent college. Both effects together reduce the aggregate share of public aid funds going to independent college students.

Financial Need vs. Aid Eligibility

To clarify this point it is necessary to go back to the fundamental notion of "measured financial need" generally accepted throughout the student aid system since the mid 1950's. It is a very simple concept: cost of attendance minus expected family ability to pay equals financial need. There are complications regarding just which expenses involved in going to college count as costs of attendance and regarding just how much families—parents and children together—can be expected to contribute from given resources. None of these complications matter here, because in *all* systems of "need analysis" an additional dollar of tuition that must be paid results in an additional dollar of need, other things being equal—that is, other costs and family resources being equal.

Measured need, therefore, is almost perfectly "tuition sensitive": the amount of it tends to depend, dollar-for-dollar, on tuition. The problem with the public aid programs that has impacted independent higher education so severely is that limits on the award of aid have come to exclude more and more measured need. The limits have made aid less and less tuition sensitive. In the largest federal programs, Pell Grants and Stafford (GSL) Loans, the limit that mainly causes the problem is simply the maximum placed on the grant or loan. No matter how great the measured need, the grant or loan cannot be larger. When the maximum is not adjusted upward step by step with inflation, the limit becomes increasingly restrictive. Further, in the case of the Pell Grant program, if the expected family contribution is greater than the grant maximum, there can be *no* grant at all, no matter how great the measured need.

Of course, almost everyone would agree, *some* limits are appropriate in these federal programs. The public, through the Congress, would certainly question allowing the entire cost of attending Bennington or Harvard to be met by a Pell grant, or allowing students to obtain subsidized loans in such an amount. The point is not that there should be no limits, but that the limits of the mid-1970's became

much more restrictive by the late 1980's because the limits did not keep up with inflation. The percentage of independent college costs covered by the programs has declined drastically. As a result, the programs have become much less tuition sensitive.

The Cal Grant programs in California have also become much less tuition sensitive, and for the same reason: grant maxima that correspond to a much smaller fraction of college costs. In the 1970-71 academic year the Cal Grant A maximum grant covered 100% of the average independent college tuition of recipients; in 1989-90 it covered only 46%. And in the Cal Grant programs there is another highly restrictive limitation: a ceiling on the amount of income a student's family may have for the student to be eligible for a Cal Grant at all, no matter what the student's measured need. A middle-income student attending an independent college may thus have more measured financial need—because of the tuition he or she must pay—than a lower income student attending a public institution. Yet the lower income student may receive a sizeable grant and the middle-income student none at all.

Again, it is not hard to see reasons for such a limitation. It may be state policy to place such a high priority on educational opportunities for low-income students that the state wishes to give them both a subsidized public institution education *and* student aid grants. But, again, the problem is that the limit has become much more restrictive over time.

Inadequate adjustment of such limitations has not changed the basic concepts or mechanisms of the state and federal programs, yet it has changed their impact—and, indeed, the policy they represent—in fundamental ways. Both the federal guaranteed loan and the Cal Grant A programs were initially focused on providing students a realistic opportunity to attend independent colleges. However, as the limitations progressively reduced the share of tuition covered, they forced students and their families to confront an increasing disadvantage entailed by the choice of an independent rather than a public institution. At some point the extra sacrifice no longer seems worth it. Thus, where 49% of Cal Grant A recipients chose an independent college in 1970-71, only 29% were making this choice by 1989-90. There were other factors in these decisions, but the reduced tuition-sensitivity of Cal Grant awards could hardly not have played a major role. This is the indirect effect of program limitations on the availability of public student aid funds to independent higher education.

It is clearly not just externally funded student aid programs *per se* that independent colleges and their students need, but tuition-sensitive programs—that is, programs that recognize the full amount of measured need and help students to deal with more of it.

V
Trends in Private Sector Support

The inadequacies of government-financed student aid programs are increasingly recognized, and there is reason to hope that their specific inadequacy for supporting choice of an independent college is coming to be recognized too. It is hard to believe, however, that either the state or federal governments will be prepared any time soon to restore the levels of support for choice that prevailed in the mid 1970's. In the meantime, many students will have missed out on the opportunities independent institutions are able to provide. And there is reason to fear that the resources for providing these educational options will

diminish—in part, because of the need of independent colleges to allocate such a large part of their budgets to student aid.

There is an alternative: the private sector solution. Before the growth of the taxpayer-financed student aid programs, voluntary contributions of many kinds were the principal source of student aid funds. Endowments for scholarships were the most conspicuous type of funding, but alumni, foundations and community groups often gave generously as well. It was in order to make the most effective use of these varied resources that the system of need analysis and the "packaging" of aid was established in the 1950's. Independent colleges, nationally and in California, led this movement. It was taken for granted that awards of aid should be fully tuition sensitive. For students once again to have a financially manageable option of attending an independent college, private donors will almost certainly need to restore the priority in funding decisions they once accorded student aid.

The important growth in private support for higher education in the last thirty years has been from business corporations. Just from 1978 to 1988 their share of total giving rose from 17% to 23% of the total. The channels of such giving have created a complex network. Some corporations give directly to colleges and universities. Some give through college consortia. Much giving is through corporate foundations. Some of these are virtually indistinguishable from free-standing foundations in articulating and implementing their own grant programs. Others develop their priorities in close consultation with corporate officers and their knowledge of needs and opportunities in regions where the corporation is active.

Those donor corporations that attach high priority to student aid may give directly to students or institutions. Some may make use of the expertise of the College Board, the Citizens Scholarship Foundation or similar organizations. Many corporations channel some or all of their support for higher education through their employees, undertaking to match employee-alumni gifts. If the employee's institution is an independent institution, a sizeable share of such support will often be allocated to student aid. This is especially important to independent liberal arts colleges, almost one-third of whose support from corporations comes *via* matching gifts—four times the proportion reaching public universities by this route.

Still corporate giving for student aid is small relative to other gifts to education. Although data on corporate patterns of giving by state is often lacking, the Council for Aid to Education (CAE) provides some regional data—which, in the case of the Pacific states, strongly reflects California patterns. Table D compares this region's pattern with the national one. It indicates that corporate giving less often takes the form of matching gifts and scholarship aid in the Pacific region than nationally. This comparison does not, however, necessarily lead to the conclusion that these kinds of giving, important to independent colleges, are slighted in the region. The relationships may well be accounted for by the greater proportion of total corporate giving that is allocated to education in the region and to higher education specifically, coupled with very large gifts in support of the research missions of universities.

One trend about which independent colleges are inevitably ambivalent is the growth of private gift funding for public institutions. For many decades there had been a tacit understanding that public institutions would mainly look to public funding sources for support. Of course, they sought gifts from alumni for various pur-

poses and, of course, windfalls were almost always welcome. Still, public institutions rarely competed aggressively for private donations. This state of affairs has clearly changed. In the case of research universities, CAE data show that public institutions are almost even with independent institutions in total gift support, and well ahead in support from corporate donors.

The ambivalence that independent institutions feel about these developments is understandable. On the one hand, the independent colleges and universities do not pretend to have a prescriptive right to private sources of funds. Donors themselves have a right to decide. In some instances, indeed, it was private giving that enabled public institutions to join the ranks of the independents. At any rate, a dog in the manager attitude would be absurd: the gift might not have been forthcoming at all if it had not been made to a public institution.

On the other hand, however, independent institutions cannot help feeling that gifts to public institutions are sometimes misdirected. Especially this is so where the gifts are to do things that they, the independents, already do much better. This is most obviously the case in undergraduate liberal arts education. Independent institutions cannot forget that they have all along been ready to provide the kinds of learning community and education in values that public institutions seek grants for as "innovations", to be painfully constructed from the ground up.

There is also the irony that corporate support for public institutions is *in addition* to their very substantial support for these institutions through taxes that make student financial aid much less needed by students attending public institutions rather than independent ones. It is estimated that, in 1986-87, 97% of corporate support of higher education through taxes went to public institutions nationally. In California the percent was 99. The advantage of independent institutions in donations brought the percentage of combined corporate gifts and tax support for higher education going to public institutions down only slightly, to 89% nationally and, in California, down to 94%.

Table D

Patterns of Corporate Giving to Higher Education
Pacific States[1] and U.S., 1987

Gifts to Education as % of Total Charitable Contributions		Allocation of Gifts to Education (in %)				
		Gifts to Colleges & Universities	Matching Gifts[2]	Scholarships	Education Related Organizations	Other
Pacific States	45	62	11	6	6	10
U.S.	37	51	19	7	6	12

Source: Council for Aid to Education
[1]California, Oregon, Washington, Alaska, and Hawaii
[2]91% of matching gifts went to colleges and universities.

VI
Clearing Away Misconceptions

Private donors are, without doubt, sensitive to far more kinds of social need now than in the 1950's, and there is never enough money for them all. But it is difficult to believe that competition for resources is the only reason—or even the main reason—why student aid no longer ranks as high among donor priorities as it once did. The private sector increasingly recognizes that an investment in people can pay for itself many times over by reducing the need for services. Education beyond high school is obviously such a high return investment, and increases the availability of versatile and well-trained workers. The reason for the lower priority of student aid is probably not, therefore, any change in the value assigned education. It is more likely to be a set of misconceptions about how the student aid system works.

The Misconception About Public Programs

The chief of these misconceptions is the idea that public aid programs have solved the problem. This idea gains credence from the fact that, in the mid-1970's, public aid programs really seemed to have solved it, or to have come very close. But no such idea should now be a premise of donor decisions. Inflation, the division of the pie into many more shares, and the loss of tuition sensitivity in the amount of awards are all factors that have changed the situation drastically. Now, parents, students and the colleges themselves have to dig much deeper into their own resources, or there will not be an opportunity to choose an independent college. Too often they cannot, and the opportunity is extinguished as a practical matter.

The Ability of Families to Pay

Another misconception is that students attending independent colleges come from richer families, and therefore need less aid than students attending public institutions. The facts of the matter are these: students from the lowest income families are more concentrated in the public community colleges than in any of the four year segments, public or independent. However, students at public and independent four-year institutions are not that different in their family incomes. In 1988-89, for example, the income distribution of families with students in any of the four year segments was as follows:

	UC	Independent Colleges	CSU
Below $36,000	30%	36%	40%
Above $36,000	70%	64%	60%

Add to this general comparability, the fact that the higher tuition of independent colleges automatically pushes many students into financial need who would not have need at any public institution, and you have independent college student bodies generally needier than those of public institutions.

The Need for Aid that Recognizes Cost Differences

A third important misconception is the idea that, to be even-handed, any student aid from private sources should be awarded in the same amount whether the scholarship winner attends a public or an independent college. Invariant award amounts of one or two thou-

sand dollars are common in existing privately funded scholarship programs. The effect of such awards is, however, the opposite of the even-handedness intended. Just as low maximum awards in the public programs eliminate tuition sensitivity for all practical purposes, so do awards in flat amounts from the private sector. In both cases, the awards may leave attendance at a public institution a much more feasible, and therefore attractive, alternative. They often leave attendance at an independent institution problematic, because of a need to find far greater amounts of money from other sources. Just as the increasing lack of tuition sensitivity in the Cal Grant programs has worked against the choice of enrollment in an independent college, so do flat-amount privately funded scholarships.

Efficiency and the Independent Colleges

A fourth misconception probably underlies a good deal of complacency about the situation of the independent colleges and their students. It is the notion that there are no inherent advantages of efficiency in either public or independent higher education. Some institutions in each class are excellent and good value for the money, and some in each class are not. On this view, there is no great societal priority in funding students at independent institutions rather than public ones, just so enough higher education of improving quality is provided to enough students in the aggregate. On this view, it doesn't really matter to society who provides and funds the education and therefore it need not matter to private donors either.

The problem with this view is that one of its premises is false. For the time being anyway, the independent colleges are more efficient in two important respects. One is that it takes less time to complete a first degree at an independent institution. Many public institutions now accept it as normal that typical students will take five or six years to obtain a nominally four year degree. Many public institutions have, indeed, created internal obstacles to orderly progression that make a four year degree extremely difficult.

Independent institutions have *not* accepted the stretched-out degree to the same extent. Those independent colleges that have been successful in attracting part-time students and older students with work and family commitments have necessarily accepted their need to take more time to complete their programs. But they still expect young, full-time students to graduate in four years, and they try hard to make it happen.

The result of these different attitudes is a large difference in efficiency. A student who takes five years to get a bachelor's degree rather than four must have the use of campus facilities for an additional year and must meet room and board expenses for that year without anything like the earnings that would be expected if he or she had completed college a year earlier and taken a regular college graduate's job.

The independent colleges are more efficient than the public institutions in another way as well. The students who enroll in public institutions are less likely to complete a degree at all, as well as taking more time if they do. There are contexts in which it is important to argue that education is never wasted, even when no degree results. But there are other contexts where having a degree is clearly very important indeed. A person who gains a degree is much more likely to find a job where what he or she knows is recognized and used than a person who knows as much, or almost as much, but

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has no degree. A degree means a chance to make a person's knowledge more productive to society and more profitable to the individual and the individual's family. Failure to obtain a degree means that part (although only a part) of what has been invested in the student's education will be less productive than it might have been and is, in that sense, wasted. Independent colleges, more of whose entering students remain to graduate, waste less, and are to that extent more efficient.

Thus, it is not just the aggregate amount of educational investment that should be of concern to the private sector. No one should be indifferent to a decline in the role of independent colleges, on the assumption that taxpayers will take up the slack through additional support for public institutions. The institutional mix is important, too, and the weakening of the most efficient institutions in favor of the less efficient is a possible development that needs to be taken seriously. Everyone has to hope that public institutions will eventually find ways of doing as well, but, until they do, independent institutions will be needed both for their current contributions and as models in some fundamental aspects of educational efficiency.

The Independent Colleges and Equality of Opportunity

A final area where there seem to be misconceptions is the record of the independent colleges in recruiting the disadvantaged, and members of minorities in particular. In the 1960's independent colleges and universities were able to move much more swiftly than public institutions in making their student bodies more representative. This progress was not uniform, and it is hard to document, for precisely the reasons that made it possible: much greater autonomy and flexibility in admissions and in allocating educational support and student aid resources. In the 1970's, the accident of two major national surveys roughly bracketing the decade *does* make it possible to estimate further progress. In California 17% of the independent college freshmen recruited in 1972 are estimated to have been minority group members. The percentage had increased to 38% by 1980. The corresponding change for public four-year institutions was from 27% in 1972 to 33% in 1980, only half as great an increase.

The autonomy that makes such progress possible, and ordinarily hard to chart, also makes it far less visible than the accomplishments of public sector institutions. The great public systems have governance processes that periodically focus attention on a particular standard for admissions. Either changing it or leaving it the same will inevitably affect very large numbers of students and their families at once. Politically active individuals will inevitably debate the merits of any change, and their debates are given high visibility in the media.

In contrast, if a small liberal arts college decides that the way to increase its minority recruitment is by establishing an alternative standard of admission, and another chooses, instead, to give its recruiters greater latitude in giving assurances of adequate grant aid, neither event may be reported in the media, except perhaps in the local college newspaper. And since the issues and mechanisms of the efforts independent colleges make are invisible, their results, however successful, tend to be invisible also. Nonetheless, the progress has been very real, and has been achieved with the characteristic speed and flexibility of autonomous institutions.

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VII
Selecting a Course of Action

The problem of increasing private sector support for financial aid to students attending the independent colleges of California is thus not one of selling a new set of priorities. The case for such support lies squarely within the priorities of private giving, and especially the priorities of educational investment and efficiency in providing services to the disadvantaged, including minority students.

But just what kind of assistance should it be? How should funds be raised and allocated among students? How should any new program be managed? In order to be sure that promising approaches to these questions are not overlooked, a wide variety of alternative program goals and structures have been identified for purposes of discussion and analysis.

The alternative program models need to be reviewed and judged on the basis of six principles or criteria. The first principle is the most obvious when stated in general terms: *The solution must be responsive to the problem.* The problem is that in many cases neither students, their families or the colleges themselves are in a position to meet the costs of education reflected in the tuition levels that independent colleges must charge. It is in the absence of enough help in meeting these costs from either federal or state governments that an appeal for private sector resources is necessary.

It follows from this principle of responsiveness that the kind of program which will be effective must take tuition levels into account. A program, say, that awarded the same amount to students attending public and private colleges—as many existing private sector programs do—would not be responsive. Students attending independent institutions have more financial need, family resources being equal, than students attending public institutions, because of the higher tuition that independent colleges must charge. An effective program must be sensitive to degrees of financial need, because it is the lack of student, family and institutional funds to meet need that can cause a student to forgo the opportunities of an education at an independent college.

It follows from this principle of "tuition sensitivity" that a responsive program should make assistance renewable for the full standard four-year period of undergraduate education. Financial need in the freshman year will, in most cases, continue through the remaining years of college, and may even increase. If aid toward meeting this need is not also continued, parents, students and colleges will once again be in the grip of the financing dilemmas described in this report.

It also follows from this first principle of responsiveness that the aid provided should mainly take the form of scholarship or grant aid. The problems of inadequate resources for student financial assistance arises in precisely those cases where students are already borrowing, and earning money in jobs, up to the maximum amounts consistent with prudence and getting the most out of their educational opportunities. To be responsive to need in excess of these amounts, the new aid should not ordinarily increase work and loan obligations further.

A second principle is that a new initiative should be of a kind that will *enhance equality of opportunity* for coming generations of California students. A chance to choose is part of opportunity—in particular, the chance to choose the kind of learning community that makes most sense for the individual. It is just as important a part of

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opportunity for low income and minority students as for others. A program that enables the independent colleges to continue to offer such choices and is thereby responsive to the problem of financing attendance at one of these colleges, is therefore also a program that enhances equality of educational opportunity. The decline in the real value of government financed student aid programs in the 1980's has tended to reduce choice precisely for the low-income and minority students who are especially the concern of this principle. Were it not for the efforts of the independent colleges themselves to use their own resources for equalizing opportunity, the adverse effects on enrollments would have been dramatic.

A third principle is that *selection of recipients of a new private sector aid program should be based on students' ability to make the best use of the aid they receive*. In other words, there should be a strong merit basis to awards and they should, in that sense, be scholarships. In a new program the private sector would be asked to make an investment in the recipients, an investment making it feasible for them to choose among the wider opportunities that the independent colleges provide. It is an investment that donors naturally expect to pay off in the enhancement of skills in the intellectually demanding occupations on which our society's excellence and competitiveness depends. It is appropriate, therefore, that recipients be good bets as investments. Nor is it irrelevant that the more widely it is known that hard work in school is rewarded, the more hard work and excellence there is likely to be.

None of this is to say *which* criteria of merit should be used in selecting recipients. There are many possible criteria, from the purely academic to others that involve recognition of initiative and values as well as academic ability and hard work. This second principle only says that, in the context of a particular program design, merit should decide which students' financial need is to be met.

A fourth principle can be put in one word: *reciprocity*. Those who provide resources to make the opportunities of an independent college education accessible should receive, in return, recognition of their support and assurances that it is achieving the results intended. Accordingly, scholarship recipients and the colleges they attend should be available on appropriate occasions to show appreciation to donors, to share experiences and to demonstrate accountability. Scholarships and fellowships should be named after the donors that make them possible, although possibly this honor should be reserved for donors who make large or continuing commitments.

Recipients should also show appropriate academic progress when seeking renewal of their scholarships. This last kind of requirement needs to be applied with great care, in order not to discourage recipients from taking the risk of enrolling in programs where they cannot be sure of succeeding. But some such requirement makes sense.

A fifth principle that should be reflected in a choice of a new program design is that *the program should build on the strengths of the independent colleges*. Of course, giving the independent colleges the chance to educate more needy students, despite their dependence on tuition revenues, is itself building on their strength in providing more personal and more varied learning environments. But there are other strengths as well that should be recognized in any program structure. Three of these strengths are especially important in the context of program

design: the ability of the independent colleges to see a larger proportion of their students through to actually graduating, their effectiveness in recruiting minority students and their flexibility in packaging aid from many sources to meet the needs of their students.

Building on the strength of the independent colleges in retaining students to graduation would be achieved in one important respect by making scholarships renewable, as already suggested under the heading of being responsive to the problem. It would also be achieved by providing in any new program for initial awards to upper classmen as well as to freshmen. The independent colleges should be given encouragement and opportunity to recruit more transfer students from public institutions, especially from the community colleges. More disadvantaged students, including more minority students, would be likely to earn degrees as a result.

Much of the import of this principle of building on strength is negative, however: that is, it says there are some things a new program should *not* attempt to do. It should *not* attempt to shape the recruitment policies of the independent colleges, or how they are carried out. It is the flexibility of these colleges in recruitment that accounts for the speed with which they have increased enrollments of minority students in the last two decades. More generally, it is their flexibility in recruitment that enables them to get a good match between the opportunities they offer and the students they enroll.

Similarly with the packaging of aid from multiple sources. The independent colleges pioneered the practice of building aid packages for students who were not all eligible for the same programs or in the same amounts. Doing this is a matter of urgency for independent colleges because their students, faced with higher tuition charges, tend more often to need more components in their aid packages. In doing so the colleges have succeeded in providing a high degree of fairness for *all* students.

Building on this strength entails *not* attempting to override the colleges' own aid policies. A fairly simple and predictable formula for calculating the amount of a student's need that will be covered by a new scholarship is what is called for, leaving it for the college itself to combine that amount with aid from other sources to produce an adequate package.

Finally, a sixth principle is obviously *feasibility: A new program should rely only on standards and procedures known to be workable for the long haul.* Criteria of academic promise and financial need that have proved meaningful and administrable should be chosen, even if not perfect, over untried assessment procedures. Selection systems that can be seen as arbitrary, vulnerable to favoritism or requiring unsustainable levels of personal effort should be avoided. Documentary requirements should be held at a minimum, and abuses of the kinds that have plagued some federal student assistance programs should be made hard to perpetrate and easy to ferret out when they are.

All of this, in a sense, is part of reciprocity: any new program should be able to assure donors that it will in fact work efficiently to achieve the goals intended. Only such assurances, and actual performance consistent with the assurances, will persuade donors to continue their support for the long term.

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Part Two
Solving the Problem

The California Independent Scholars Program

Of the fourteen program proposals reviewed by the Independent Solution Project, one most clearly embodied the principles spelled out at the conclusion of Part I of this report. Two other proposals clearly complemented and supported this central proposal but can also be considered separately.

Under the central proposal* students would apply directly to a California Independent Scholarship Corporation, an entity set up to raise funds and administer undergraduate awards. The program would be designed to supplement as much as possible the Cal Grant Program with its emphasis on demonstrated merit. There would, however, be some differences in standards, departing from the Student Aid Commission's family income ceiling and the treatment of home equity in estimating the ability of families to pay for college. There would be four categories of awards:

a. Outstanding meritorious students even without financial need, would receive $1,000 per year scholarships.
b. Students would be eligible who have financial need as well as academic merit but are not eligible for the Cal Grant A or B programs because of the income ceiling in those programs.
c. Students who combine merit and need but whose Cal Grants, if any, are inadequate, would be eligible for supplemental grants.
d. Students who are defined as disadvantaged would be selected from a separate category of applicants.

There would be a state-wide competition for the scholarships, making it unnecessary to use a system of allocating scholarships among colleges: The scholarship winners would themselves decide where they would enroll and take their scholarships.

The California Independent Scholars Program would be highly responsive to the problem—Principle (1). Awards would be in amounts recognizing full financial need, would be renewable and could be awarded

*Model 4 in earlier versions of this report.

to upperclassmen and transfer students as well as to freshmen. All of these features would enhance equality of educational opportunity—Principle (2). Merit—Principle (3)—would determine the winners in a statewide competition. Providing reciprocity—Principle (4)—through naming scholarships for donors and other recognition could be guaranteed. There could also be special relationships between colleges in particular regions of the state and donors with special ties to those regions.

The program would build on the strengths of the independent colleges—Principle (5)— since awards could easily be incorporated in the colleges' recruitment, retention and aid packaging strategies. The program would clearly be feasible—Principle (6)—in that consistent standards of merit and need of the kinds required have long been applied by the National Merit Scholarship Program and by the Cal Grant programs.

The Independent Opportunities Campaign

The second model* proposed for further consideration is for the independent colleges to join forces in an annual statewide fund-raising drive specifically for scholarship funds at independent colleges. A governing board would decide on the timing and theme of the annual campaign, and solicit public interest contributions of media skills and media time.

The Independent Opportunities Campaign clearly meets the requirements of Principles (5)—building on strength—and (6)—feasibility. The independent colleges know their missions and know how to marshal resources to give students access to the opportunities they provide. An annual statewide fund raising campaign would enhance the visibility of their educational opportunities, of their contributions to equality of opportunity—Principle (2)—and also of their financial problems. To the extent that this visibility improved their access to private sector resources, more students would be enabled to attend independent colleges, more would graduate, and educational quality would be preserved. By being combined with the California Independent Scholars Program, this model could be highly responsive to the problem. Campaigns would be designed to increase the number of donors who are already giving to individual independent colleges. It could make new commitments to donors in the forms of recognition they are to receive and in the criteria that will be employed in determining which students are to benefit. And it would seek the donors' commitment to tuition-sensitive multi-year grants.

The Independent College Information and Management Service

This third* recommended model addresses a related aspect of the problem of financing attendance at independent colleges: that of delivering required information and expertise where they are needed. Potential donors need assurance that agencies expert in assessing merit and financial need will be performing such tasks. Colleges and communities that want to sponsor scholarships need appropriate expertise in fund raising. Parents need information on

* Model 1 in earlier versions of this report.

* Model 14 in earlier versions of this report.

how to plan ahead to meet independent college costs. The media need better, more factual information on college costs and financing so that the public will not be turned away from independent higher education by scary and statistically misleading news stories. There will be a continuing need to monitor trends in college financing, private sector support and college policies in aid packaging.

The suggested Independent College Information and Management Service would take responsibility for obtaining these kinds of information and expertise, and delivering them where they are needed. Such a service would obviously be supportive of the California Independent Scholars Programs, assuring the availability of data to monitor the effectiveness of the program over time. Similarly, the service would be a support to the Independent Opportunities Campaign in providing the factual information about student need and college financing that such a campaign would need in order to make its case for private sector support a solid and convincing one. The service would also provide technical and administrative services to donors who want to maintain scholarship programs on their own.

The three recommended models just discussed are clearly most promising when viewed as parts of a whole. The Independent Scholars Program has features which, if implemented on an appropriate scale, would address the financial problems of the independent colleges and their students in an effective and principled way. It could moreover be administered in a way that would inspire confidence on the part of donors that their concerns for reciprocal benefits, rewarding merit, and increasing equality of opportunity would be met. To be fully effective, however, it would need the kind of fundraising envisioned by the Independent Opportunities Campaign.

Only such a campaign would hold out the prospect of reaching out to new donors, so that the funds made available would genuinely be in addition to the funds the independent colleges might have obtained by other means. But such fund raising needs to be a well-informed, well monitored effort of the kind the proposed Information and Management Service would make possible.

Together, therefore, these three proposals seem highly promising, although they also have great potential separately. Above all they would respond to the problem—the problem of giving the independent colleges the opportunity to use their strengths in the interest of the people of California.

Appendix A

Additional Alternatives

Besides the three program models just discussed, eleven other models were reviewed by the Independent Solution Project. They are presented here for comparison purposes and because each has merit in its own right.

It will be obvious that several of the eleven program models are based on concepts that are made promising and attractive by the success of programs that have been implemented by states or localities elsewhere. Several of these "existing models" are investigated in Appendix B to this report. However, an effort has been made in the following discussion to imagine how the main features of these existing programs could be made part of a solution to the problems and potentials of independent colleges in California. A certain amount of modification has resulted and less crucial features of the existing programs have been ignored. The suggested program models are inspired by, but not copied from, these existing programs. The models are numbered here as they were in presentations to project advisory and steering committees. Models 1, 4, and 14 do not appear here because they are the models recommended by the committees and discussed above.

(2)
The Independent Merit Awards

In this model there would be annual fund raising campaigns that would seek the advantages of media attention and public education. Going beyond this would be the creation of a common fund, although donors could give also to the college of their choice. A common fund would permit common threshold criteria of merit and need, a standard way of calculating the scholarship amount and a central point of accountability to donors.

There would need to be a system for allocation of scholarships from the common fund among the participating colleges. This could be done by a formula recognizing the relative aggregate need of the colleges and their students or by a formula simply recognizing differences in numbers enrolled. Whatever the system of allocation, it would have to be seen as fair by the colleges and monitored closely over time to assure continued fairness.

The common fund established would promise donors that definite standards of both merit and need would be applied in

making awards. It would seek a commitment from donors to the concept of tuition-sensitive awards continuing through the student's graduation. All donors, or at least those accepting these concepts, could have the scholarships they had created named after them and could be promised that the recipient students would be available for appearances at ceremonies or other functions important to the donor's public relations concerns. Hence, this model would readily meet Principle (4), reciprocity, at the same time it met Principle (1), responsiveness. By giving special recognition to donors that offered continuing support through graduation, it would clearly build on the strength of the independent colleges in student retention—Principle (4). In all of these respects it would advance equality of opportunity—Principle (2).

The problems of Model (2) are in the area of feasibility, Principle (4). There is no reason why it could *not* work, but it incorporates a number of administrative features that would be innovations, and thus untested. It would allocate scholarships among the colleges, and this would have to be according to a formula that was both fair and widely *perceived* to be fair. The participating colleges would have to be held accountable for applying the standards of merit and financial need which were part of the reciprocity understanding with donors. They would also have to be accountable for assuring the donor recognition that is part of that understanding.

All of these things are perfectly possible. At the same time, we cannot point to existing programs that have these features and operate under such provisions as a matter of routine. No one can be said already to have "got the bugs out" of such a model.

(3)
The Fund for Independents

Under this model money raised in the annual campaign would be allocated, rather than a certain number of scholarships, in contrast to Model (2). Each college would apply merit and need standards to its candidates, make awards, and certify that program requirements had been met. A fair and acceptable dollar allocation formula would be needed and its effects on the concentration and dispersal of funds would need to be monitored and revised from time to time.

The Fund for Independents program would avoid the novel problems of allocating scholarships fairly among the variety of independent colleges and universities, noted in Model (2) but it would still have to deal with the problems of allocating dollar amounts. There is relevant experience here, since a number of fund-raising consortia around the country (and in California) operate programs of fund distribution. However, their disbursements tend to be small relative to the overall financing of the participating colleges.

If a new California scholarship program was successful enough and large enough to constitute a major corrective to the problem of financing attendance at independent colleges, then the choice of a formula could well prove a much more contentious matter. Add to this that there would be all the same accountability arrangements to be worked out as in Model (2), and feasibility issues loom large. Model (3) would have all the virtues of Model (2), which it strongly resembles, but it would have *almost* all of the difficulties as well.

(5)
The Independent Scholar Retention Program

This would be a program providing financial incentives to sophomores, juniors and seniors to complete their undergraduate education at an independent college. Incentives would become part of the financial aid package for students who continued their education at a participating college. Funds could either be allocated to colleges as in Model (2) and (3) or administered separately by a designated corporation as in the California Independent Scholars Program.

The Independent Scholars Retention Program would help recipients to meet the burden of independent college costs beyond the freshman year. These costs are a large part of the independent college financing problem, so the program would clearly be responsive—Principle (1). Any of the three suggested modes of administration would allow for the application of merit as well as need standards—Principle (3)—and donor recognition—Principle (4). Supporting more low-income and minority students through graduation would clearly enhance equality of opportunity—Princi-ple (2).

There would, however, be some awkwardness that detracts from feasibility—Principle (6). It would be invidious to apply merit standards to students already enrolled for a year or more. A centrally administered program would be somewhat handicapped by the lack of an established test for upper classmen commanding the respect of the SAT. If awards were instead made by the individual colleges on the basis of campus academic records, allocation system like that for Model (2) or Model (3) would be essential. Transfers from one independent college to another would require troublesome rules. There is the further awkwardness of encouraging students of high merit to remain in college to graduate, since they are the students most likely to graduate anyway.

The distinguishing features of Model (5) is its focused emphasis on Principle (5), building on strength. Its structure would call special attention to the greater success of the independent colleges in seeing students through to graduation. This emphasis could give fundraising an equally focused theme. The issue this focus necessarily raises is whether fund raising for aid to independent college students should be so circumscribed, or whether a more comprehensive advocacy of the quality and effectiveness of independent college education would not provide a stronger and more lasting basis for a new program while also supporting the retention role. All of the previously examined models would give support to the colleges' performance in retention without any exclusive emphasis on this aspect of their performance. The case for Model (5) would seem to turn on whether or not fund raising would be aided in the long run by this emphasis.

(6)
Scholarships for Service

The goals of the program would be two-fold: to encourage students who have completed the first two years of college to continue to graduation at an independent college *and* to involve them in volunteer service. Students who engaged in qualifying service would receive grants that would be part of their student aid packages. Participating colleges would be encouraged in these cases to reduce either the loan or job compo-

nent of the standard self-help expectation. Criteria for the allocation of funds among colleges would be developed by the program's governing board to give preference to programs integrated with student financial aid and to provide incentives to students to complete their degree at the independent college of original enrollment. The colleges themselves would take responsibility for identifying service opportunities consistent with students' academic obligations and matching student skills with jobs.

A public service program of the type envisioned is highly attractive *as part of a student's education*, but very limited in its potential for *financing education*. At independent colleges all students with financial need are routinely expected to earn money in jobs as part of their "self-help" expectations, usually in the maximum amounts consistent with their academic participation. A scholarships-for-service program would permit substitution of public service jobs for this work component, but not financially significant increases in earnings. Since many student jobs offer minimal educational opportunities, this substitution could nonetheless be of great educational value. Such proposals are unlikely to pass the test of responsiveness to the need for more tuition-sensitive grant funds—Principle (1)— although very responsive to educational objectives.

Similarly, although public service is highly meritorious, the kinds of merit involved are not readily made criteria for award of student financial aid. A student who takes on a public service job must have the motivation and skill required for that job, and this is not something that can be measured competitively, fairly and accurately across a large pool of student aid applicants, as needed to meet Principle (3), awards on the basis of merit. There could also be problems with Principle (2), enhancing equality of educational opportunity. Disadvantaged students are often highly motivated for public service, but some need relatively more time to catch up academically.

A public service scholarship could, however, meet Principle (4), reciprocity, as well as any other model. A donor's name could be attached, and there could be the kind of relationship among donor, college and scholarship recipient that would reinforce such recognition. It is possible, indeed, that the recipients of the service and any service providing agency involved might also recognize the donor's contribution, although there is no known existing model where this happens by design.

Certainly, this public service model can be seen as building on the strength of the independent colleges—Principle (5). These colleges have traditionally stressed the altruistic purposes of education and many of them have had service programs for years. More recently, many of them have joined the College Compact for coordinating service programs at the campus level. Given this background, a simple campus based program, as described in Model (6) should be entirely feasible—Principle (6).

(7)
The Corporate Internship Program

In this program, business corporations would offer summer internships to independent college students along with grants to help them pay college expenses. The participating corporations would have an early opportunity to make a judgment about promising recruits for regular jobs after graduation. The students, who would usually have summer jobs in any case to meet the self-help requirements of their colleges, might receive a somewhat higher rate

of pay in internship employment than in other jobs. However, a grant accompanying the internships would probably be essential for there to be a substantial additional contribution to financing educational costs.

A corporate internship program has the same difficulty in being responsive to the problem—Principle (1)—as does a public service model *unless* the sum of the student's earnings in the internship and any accompanying grant would significantly exceed the self-help earnings the student would have to contribute to the aid package in any case.

Awards on the basis of merit—Principle (3)—could also be a difficulty *unless* the employing corporations were willing to accept interns on the basis of generally applicable standards of academic promise and character. Otherwise, there could be allegations of favoritism in conflict with Principle (2), enhancing equality of opportunity, as well as Principle (3).

This model clearly passes any test of reciprocity—Principle (4). It would create a clear set of mutual obligations between donor and recipient. Indeed, the substantial nature of these obligations would make it imperative to explore questions of feasibility. The roles of donor, college and student in making a good match between the student's talents and aspirations and the employment prospects offered by the donor would need considerable working out. Most similar existing arrangements involve a good deal of tailoring to the individual case. While the independent colleges are, in many areas, used to dealing with special cases in non-bureaucratic ways (and, according with Principle (5), would be building on their strength in this respect), most independent colleges would be breaking new ground in carrying out their role in making such arrangements for sizeable numbers of their students.

(8)
The Keystone Scholarship Program

The program is given this tentative name because the idea would be to guarantee a grant in an amount adequate to completing the student's aid package. The goal of such "last dollar" programs in other states is to reinforce the motivation of recipients to meet college entrance requirements while still in high school and to make the effort to apply for admission and aid. To make such a program work among potential students of California, it would be necessary to establish criteria, academic or otherwise, that would identify the students to whom the guarantee would be extended while they were still in high school. It would also be necessary to achieve a consensus among the colleges about the award of the college's own aid to these students, so that the "last dollar" aid offered would not displace more than a certain amount of college grant aid.

"Last dollar" programs such as the suggested Keystone Scholarship Program are, like Models (6) and (7) only *conditionally* responsive to the problem—Principle (1). They help the problem materially only if they relieve the independent colleges of some part of the burden of providing the grant aid that completes the aid packages of those students who need it. Only if there is such relief are the colleges' resources freed to help other students, to lower tuition or to strengthen educational programs. This fact would make it vital for a new "last dollar" aid program to be accompanied by a consensus among the independent colleges on aid packaging policy. It would defeat the program quickly if it should bog down in claims by some of the participating colleges that others had intentionally altered the aid packages of their students so that larger amounts would be eligible for last-dollar

funding, thereby distorting allocation of program funds among the colleges. Any difficulties in measuring up to other requirements pale in comparison with this packaging issue. It is an issue both of responsiveness and of feasibility—Principle (6).

There would appear to be no more difficulty in this model than any other in providing for merit criteria, reciprocity or building on the strengths of the independent colleges—Principles (3), (4) and (5). There is good reason to think that such a program would enhance equality of opportunity—Principle (2)—by giving firm support to college aspirations.

(9)
Teacher Fellowships

This program would offer one-year stipends to students who have received undergraduate degrees in order for them to obtain training at one of the independent colleges and universities in the state to be K through 12 teachers. Since the program would be intended to provide an incentive for entering on such a career and staying in it despite relatively low teacher salaries, it would seem appropriate to make the grant in the full amount of tuition without applying a means test or expecting scholarship recipients to borrow toward tuition expenses. Candidates would apply directly to the governing board, which would provide for selecting recipients on the basis of high academic achievement as undergraduates and other characteristics likely to result in an outstanding teacher.

The suggested teacher fellowships would not meet the need for financial support for undergraduates attending independent colleges and universities. They would not be responsive to *that* problem—Principle (1). They would, however, respond to *another* pressing problem: the need to recruit more of the brightest students into the teaching profession and to give the independent colleges and universities more of a role in that effort. Again, the obstacle is the tuition that the independent institutions must charge. Teacher fellowships of the type suggested would remove that obstacle for especially promising candidates for the teaching profession, meeting Principle (3), rewarding merit. Eliminating that obstacle would also enhance equality of opportunity—Principle (2)—by making it unnecessary for students from disadvantaged backgrounds to contract more loans to finance the additional training involved. Reciprocity—Principle (4)—could be met through the usual kinds of donor recognition. It would be met, further, by public recognition of the donor's commitment not only to help the independent colleges do their job, but also to help provide the schools with the talented teachers they need. Model (9) would clearly build on the strengths—Principle (5)—of the teacher preparation programs of the independent institutions. There are no apparent problems of administrative feasibility—Principle (6).

(10)
The Teacher Incentive Fund

Eligibility and the purpose of awards would be the same as under Model (9). The suggested Teacher Incentive Fund would differ from Model (9) only in not having a statewide competition, but leaving both the selection of recipients and the application of merit standards to the institutions themselves. It would meet all of the six principles about as well, and for the same reasons. It might possibly be more flexible in building on strength, although recognition of recipients and donors would probably be less conspicuous. There is no reason to foresee any problems of feasibility.

(11)
Graduate Fellowships

The purpose of the program would be to encourage more of the most academically promising undergraduates to enter Ph.D. programs and, ultimately, to go into college teaching. It is especially important for more students from historically underrepresented communities to consider such careers. Selection for graduate fellowships would be carried out through a process in which factors relevant to promise as a college teacher are examined by panels including experts in the academic disciplines. The program would undoubtedly be smaller than most programs of undergraduate student financial assistance, and this would make a more intensive selection process feasible. The amount of awards would be based on financial need, up to the amount of tuition, so that the many varieties of financial assistance available to graduate students could be taken into account in building an adequate package of support.

Graduate Fellowships, like the teacher fellowships in Models (9) and (10) are not responsive to the larger need to provide external, tuition-sensitive aid to undergraduates. Graduate fellowships would respond to a different problem: financing the preparation of a new generation of college teachers.

Such fellowships could readily meet the requirements of the other five principles being applied. They would, by design, give special emphasis to equalizing opportunity—Principle (2). There are well established ways to seek out excellent prospects for Ph.D. programs—Principle (3)—and existing fellowship programs have a number of ways of recognizing donors, such as naming the fellowships after the donor and involving fellowship holders as participants in conferences sponsored by the donor—Principle (4). Such a program would clearly build on the strength of the independent universities of California—Principle (5—since they now train 47 percent of the students receiving Ph.Ds in the state. Feasibility—Principle (6)— accordingly, presents no difficulties.

(12)
The Professional School Fellowship Program

This program would be for students with undergraduate degrees who plan to attend law, medical, dental, public health, veterinarian, or engineering schools for a graduate or professional degree. It would focus on students who are from historically under-represented populations with outstanding academic records. Administration could be direct as in The Teacher Fellowship Program—Model (9)—or indirect as in the Teacher Incentive Fund—Model (10). Although professional schools are highly attractive to many promising students from disadvantaged backgrounds, much less grant aid is available for professional school students than for students in Ph.D. programs. Professional school students tend to be highly dependent on loans, and this is a major deterrent to participation by underrepresented groups. Fellowships providing grant aid to the extent needed to meet independent university tuition charges would address this problem.

The professional school fellowships suggested in this model, like the fellowships proposed by Models (9), (10), and (11), would be responsive to a need different from that of finding new, external sources of support for undergraduates—Principle (1). The need to find ways of overcoming the barrier of loan financing for minority students is, however, pressing and in accord with Principle (2).

Merit, both academic and in terms of motivation, would be the obvious basis for selection—Principle (3)—and recognition of donors support could be readily arranged—Principle (4). Again, such a program would clearly be building on strength—Principle (5)—since the independent colleges and universities of California now award 69 per cent of professional degrees in the state.

A feasibility problem—Principle (6)—that would need to be resolved is whether to make awards irrespective of the students' chosen professional fields, or whether to allocate awards among the different professions by some formula. The latter approach would complicate the selection process and would involve creating a novel system. However, without allocation by field, there would be a real risk that some fields would get more than their "fair" share of the fellowships.

(13)
Loans for Choice

This program would establish revolving loan funds at participating independent colleges that would enable students with financial need to use credit to cover more of their costs. Such a loan facility would supplement the Stafford (GSL) loan program. Private sector gifts to such funds could be administered by the individual colleges, as in the Weingart program, or they could be administered centrally.

A number of details would importantly affect the results of such a program. If loans were made at below-market interest rates or at zero interest, inflation would tend to reduce the real value of loan repayments and the real value of funds available for relending. Such loans would, in effect, be partial grants. The loans could even be "moral" loans, which students would be morally, but not legally, obligated to repay.

Unless this model was designed to be partly a grant program, like the Weingart program, it would not fare well by the six principles. A market-rate loan program would not respond to the problem—Principle (1)—which is a lack of enough grant funds from external sources to make the cost of attending independent colleges manageable for students with financial need. Additional borrowing by students in excess of the amounts already included routinely in self-help expectations would not lower the burden of independent college tuition, but would only postpone the burden. Such additional borrowing does not increase equality of opportunity—Principle (2)— since it makes choice available only on very unequal terms. Access to such additional loan funds can hardly be seen as a reward for merit—Principle (3)— unless interest rates were heavily subsidized, if then. It is similarly difficult to expect that borrowers would have genuine feelings of respect and gratitude toward donors of loan funds, that is, of any genuine reciprocity—Principle (4). Nor would a loan program build upon the educational strengths of the independent colleges—Principle (5)—although many administer loan funds very competently and there need not be problems of feasibility—Principle (6).

Appendix B

Existing Models

The appendix that follows presents a limited evaluation of several programs that have brought resources of the private sector to bear on problems of creating educational opportunities through student financial assistance. It is not an evaluation to measure the effectiveness of each of the programs by some objective yardstick that relates effort to impact. Data necessary for such an evaluation are unattainable. It seems clear, however, that each of the programs is successful in terms of the intentions of its creators.

What is attempted here is to identify features of each of the eight programs that its creators explicitly or implicitly believed would play a role in its success. If it seems that the creators have been correct in incorporating these features in their programs, then it is worth considering seriously whether such features should be part of new program designs for aiding students attending independent institutions in California. In other words, the search will be for ingredients of success in existing programs and lessons for success in subsequent programs.

(1)
National Merit Scholarship Corporation

National Merit Scholarship Corporation (NMSC) was established in 1955 by grants from the Ford Foundation to conduct the National Merit Scholarship Program. Additional grants from the Ford Foundation established the National Achievement Scholarship Program for Outstanding Negro Students in 1964. Currently, over 90% of total funding for scholarships awarded by NMSC is provided by business corporations, colleges and universities.

NMSC has consistently emphasized outstanding academic promise in making awards. Its multi-step selection process begins with high school juniors, who take the Preliminary Scholastic Aptitude Test/National Merit Scholarship Qualifying Test. In the Merit Program, qualifying scores narrow the initial field of over one million to some 35,000 who are honored as "commended" students, plus some 15,000 "semi-finalists" who are selected in a state-by-state

allocation process to continue in the competition for Merit Scholarships. These "semifinalists" are evaluated on extracurricular and motivational criteria as well as on academic performance, and about 90 percent become "finalists". NMSC's selection procedures in the Achievement Program generally parallel those in the Merit Program. However, eligibility is limited to black students and "semi-finalists" are designated on a regional representation basis, each region consisting of several states.

NMSC's own funds were used to award only 20% of 6,290 Merit Scholarships and 771 Achievement Scholarships in 1989, and only 30% were awarded on a fully competitive basis from these funds plus grants from sponsoring businesses and philanthropies. About half were funded by colleges and universities and were tenable only at the sponsoring institutions. Slightly less than 30% were funded by corporations for students affiliated with the corporations or communities where they had activities. Corporations sponsored an additional 1256 "special scholarships" for such affiliated students who ranked high in the Merit Program but did not make it all the way to "finalist" status. NMSC's programs thus represent a rather complicated meshing of high standards and objectives with the preferences and interests of particular sponsors.

Features Contributing to Effectiveness

The leading feature of NMSC's programs has been their emphasis on extremely high academic requirements for candidates. These requirements reflect the view that there is a role for programs recognizing the value of academic distinction even in an era when most student aid is awarded on the basis of financial need or of various combinations of financial need and other criteria.

Other features of NMSC's programs can be seen as means for making this recognition of academic excellence more pervasive. The selection process begins in the Junior year of high school and involves mechanisms that result in honoring candidates in the competition (and far more of them than are actual winners) while the students are still present and visible in their high schools. Thus, their honored status can constitute an incentive for academic effort on the part of high school freshmen and sophomores.

NMSC also has mechanisms for transmitting information about both winners and candidates to colleges so that they may receive special consideration for admission and the award of other aid. This makes academic excellence a more widely perceived path to a successful college career. Also part of the selection process is a scheme for assuring that winners will come from all parts of the country. This also tends to make the influence of the programs more pervasive. The long existence of the programs, high standards and cultivation of the media have the same effect. Other program features have been grafted onto the basic programs in ways calculated to avoid dilution of the principal theme.

It is not clear from published documents what fundraising strategies are pursued by the program, or exactly how it is presented to potential donors. It seems likely that corporate and other private donors to the programs concur in valuing high academic promise and that they consider it a benefit to be associated with a well-known and long-distinguished institution.

Lessons for California

It obviously is of great help to NMSC that it has been pursuing a consistent purpose for a long time. Although new programs cannot acquire such advantages instantly, it is worth considering the long-run pay-off of having a clear central mission, scrupulously maintained for many years, until a recognized tradition has come into being.

Also well worth imitating is the successful effort of NMSC to establish networks of relationships both with high schools and colleges. NMSC has created these networks to further its specific goal of fostering wider recognition of academic excellence and reinforcing incentives to achieve it. It may be, however, that most mechanisms to mobilize private sector support for student financial aid would do well to address ways to establish such networks. At a minimum, they could reinforce efforts to support educational aspirations by making college opportunities a more demonstrably feasible goal.

(2)
The Citizens Scholarship Foundation

Two groups of programs are managed by the Citizens Scholarship Foundation (CSF). One consists of scholarships provided by a variety of corporate and philanthropic organizations that make use of the Foundation's expertise in administering competitive programs. These programs use mainly objective criteria of award, usually both academic and financial, but allowance is usually also made for the extracurricular distinction of candidates.

The second group of CSF programs consists of "Dollars for Scholars" programs, usually sponsored by community fund raising groups. Few offer more than two or three scholarships a year and criteria for award are usually less formal. CSF offers such fund raising groups both administrative services and a "kit" for creating and conducting a scholarship program, including use of the Foundation's corporate umbrella for legal and tax purposes.

Features Contributing to Effectiveness

The premise underlying much of the Foundation's success is that private donors, both corporate and individual, will regard student financial aid as a more promising use of their resources if they are assured that the technical and administrative details are conducted fairly and effectively. The Foundation provides this assurance by handling such details for the donor or offering to make them easy to handle by the donor through use of an off-the-shelf package of guidance.

The Foundation's programs, in effect, say to the potential donor: "You realize how useful student aid is in increasing educational opportunities and how such opportunities can improve employee and community morale. You also know that such a program can demonstrate, in a highly public way, your social commitment, particularly to youth. We are here to assure you that the practical problems of running such a program need not deter you from mounting one. We have the expertise and experience, and we have the administrative mechanisms in place to make things run smoothly." In other words, all the donor needs is money

and a positive attitude toward using some of it to create educational opportunities. With some obvious differences, the approach is quite similar to that of United Way campaigns.

There are a number of subsidiary features of the Foundation's program that support this approach to donors.

First, the Foundation's programs allow for both large and small scale donors—from free-standing programs conducted for large corporations to "dollars-for-scholars" programs financed by bake sales in rural communities.

Second, the Foundation's offer to deal with administrative details is an offer of objectivity. A donor can avoid accusation of favoritism by asking the Foundation to assess, objectively and independently, the relative scholastic merit and/or financial need of all applicants from among the eligible group.

Third, the donor can define this eligible group in a way that will reinforce a sense of mutual obligations between the group and the donor. The group may be the children of persons employed by a company for five or more years, residents of a community where the company has facilities, or students undertaking an internship program with the company. CSF makes it possible to reinforce such ties without biasing the selection process itself. Fourth, the donor can establish criteria for awards that are academic, financial, or based on assessments of character—or all three, as most donors appear to have done. Thus, the donor need not exclude any kind of applicant the general public would deem worthy of support. Fifth, the Foundation does not ask donors to use its name, as does National Merit. The XYZ Corporation is free to call its program the "XYZ Scholarships".

Lessons for California

The Foundation has developed a successful formula: provide a package of expertise to potential donors, and concerns about the difficulties of running a program can be removed, allowing the arguments for supporting student aid to be fully persuasive. A program to increase support for California students attending independent colleges can clearly do this also. Most potential donors to such a program probably have concerns like those that CSF successfully allays, and they can be dealt with similarly.

More particularly, the Foundation's experience strongly suggests that use of objective measures of academic promise and financial need in selecting students for awards is readily understood and accepted by corporate donors. It seems likely also that they readily see that making awards on this basis "portable" for attendance at a variety of institutions also helps to avoid charges of favoritism.

At the same time, the Foundation has not taken the risks inherent in promoting a program that would make awards *exclusively* on the basis of one factor—academic promise, financial need or choice of one kind of college. There is perhaps a lesson in this implicit decision also.

The experience of the Dollars-for-Scholars program also carries a lesson of its own: At the most grass-roots level conceivable, people still see student aid in quite personal terms. People not necessarily well-off themselves see it as worthwhile to make it possible for particular young people to fulfill their college aspirations. The idea that only government or impersonal agencies can or must be counted on plainly has not carried the day. There is room for private initiative and energy.

(3)
The CSS Sponsored Scholarship Program

The College Scholarship Service (CSS) of the College Board assists a variety of other organizations in the administration of their scholarship programs. It offers a menu of services, employing its own expertise and that of the Educational Testing Service. These services include:

- Program design
- Publicity
- Aptitude and achievement testing
- Need analysis
- Application processing
- Ranking applicants for selection by the sponsoring organization
- Processing of renewal applications
- Fund disbursement

Organizations making use of one or more of these services include corporations, foundations, trade associations, memorial funds, labor unions and the U.S. Government. Most of the sponsored scholarships are for entering freshmen and are renewable. A third are for vocational/technical education or graduate/professional study. In 1989 several thousand new awards were made by sponsoring organizations and over $25 million was distributed.

Features Contributing to Effectiveness

The expertise CSS can marshal in all aspects of scholarship administration is, obviously, a major asset. So is the long tradition (22 years) of offering such services to a variety of sponsors. Both expertise and tradition provide reassurance second to none that activities undertaken will be carried out with integrity.

Another asset is the fact that the offered services *are* a menu from which sponsors may choose. For example, one sponsor may choose to have CSS perform publicity services whereas another may have confidence in its own capabilities in targeting publicity appropriately. By offering a menu of services, CSS allows sponsors to identify precisely the areas where they need help and to contract (and pay for) only these services. In other words, exactly those administrative problems that might otherwise be a deterrent to establishing a scholarship program can be pinpointed and dealt with.

Lessons for Californians

One lesson of the CSS-sponsored scholarships program is the same as that which can be abstracted from the Citizens' Scholarship Foundation program: the importance of offering to perform administrative burdens that otherwise might well deter giving. Another lesson is the premium placed on demonstrated competence and integrity.

A third lesson, however, is somewhat different. It is that the variety of organizations which can make a contribution to student resources should never be underestimated. It is entirely appropriate to think of foundations and business corporations as candidates for providing more such funding. But the range of possible sources is much wider—witness the labor union, benefit associations, memorial funds, and trade associations that have made use of CSS services. Planning for any new campaign to tap private sector resources may target foundations and corporations specifically, but program mechanisms should be designed with an eye to allowing participation by a much wider variety of donors.

(4)
The Dana Student Work Program

In 1984 the Dana Foundation established a program of "Student Aid for Educational Quality." Its purpose was to supplant student loans and earnings from jobs of little educational value. Instead, students at independent colleges received "fellowships", "internships" or "apprenticeships" extending the range of their educational experiences or providing them with the opportunity to find out about possible careers at first hand. The intention was to integrate the student's education and the process of finding the means to pay for it.

Under the Dana program, 28 liberal arts colleges were given grants totaling $6 million, matched by $17 million in student aid funding raised by the colleges themselves. The required matching funds came from corporations, other foundations, alumni and fund raising by students themselves. These combined funds enabled participating colleges to pay stipends to students engaged in research, corporate sector internships, travel and community service that ordinarily could not have been paid for out of college budgets, the federal work-study program or by external sponsoring agencies.

Features Contributing to Effectiveness

The main premise of the Dana program is that the jobs students take to help meet their college expenses can also provide experiences that increase the impact of liberal education and enable the student to gain momentum in pursuing career choices. This is by no means a new premise. It lies at the basis of long established cooperative education plans, like that of Northeastern University. The federal work-study program has, on some campuses, been implemented in the same spirit, although the need of students for on-campus jobs and the need of colleges to fill them at low cost has resulted in no consistent priority of the kind explicit in the Dana program.

A number of other features of the Dana program have probably played a role in its success. There was undoubtedly considerably self-selection by applicant colleges. Institutions not willing and able to devote substantial energy and enthusiasm to matching jobs with students were not, of course, included. The required institutional matching (on at least a two-to-one basis) also points to a selection of those institutions most dedicated to the concept—including their student financial aid administrators. They must have been willing to forgo allocation of the institution's matching funds to student aid of other kinds.

It is difficult to fault another premise of the Dana program: that expecting students yt and larger self-help burdens has affected their perception of educational opportunities at independent colleges. Many observers of higher education finance would certainly agree. It is less clear whether a large proportion of colleges are willing to accept the opportunity costs of creating student jobs of the quality that Dana grant recipients have created. The costs for institutions of running such a program are considerable—in money, energy and time. The costs of students in dedicating themselves to demanding job assignments are considerable also.

Lessons for California

The Dana experience certainly argues that worthwhile jobs for students can still be found or created. There is no reason to suppose that structural changes in the economy have made such job creation impossible or even more difficult than in the past. It is also important to note that in many cases institutions have been able to come up with the funds to match their Dana grants by appealing to private sector donors, appeals based on the Dana rationale. There may be many private sector donors who will give, or give more, in the interest of enhancing students' educational experience through their work commitments and in the interest of avoiding excessive student debt. It is unclear, however, to just what extent this private sector support is additive and therefore it is unclear whether it can result in substantial improvement in institutional finances. Only if there is additionality is the institution better off than if the students borrowed or worked in a curricularly irrelevant job.

(5)
Weingart Student Loans

The Weingart Foundation program was created in 1987 to enable 14 independent colleges in Southern California to establish revolving funds for non-interest bearing student loans. To be eligible for a loan, a student must be enrolled full-time in a four-year degree program, must be a U.S. citizen and a sophomore, junior or senior. The individual college may establish its own additional criteria of eligibility—e.g. financial need or academic standing. The colleges decide the amount of the individual loans.

The commitment of the Foundation to the program is in two parts: First the foundation lends each participating college money to provide initial financing. These loans to the colleges continue, in declining amounts, for 13 years, until each college's fund can operate on a fully revolving basis, with each year's new loans financed by repayments from former student borrowers. (Repayment is to be completed 10.5 years after graduation.) The college is obligated to compensate its fund for repayment delinquencies and defaults.

The second part of the Foundation's commitment is a program of matching grants. It undertakes to match, dollar-for-dollar, gifts from other donors to the college's loan funds. The upper limit on these matching grants is an amount equal to four times a college's initial loan from the foundation.

Features Contributing to Effectiveness

The Weingart program is in part a response to the exclusion of many middle-income students from the federal Guaranteed Student Loan program (Stafford Loans). Such students can be eligible for Weingart loans, at the discretion of the participating college. The Weingart program should not, however, be seen as simply an alternative source of capital to lend to such students. It incorporates mechanisms that represent a critique of the GSL and perhaps of other student loan programs as well. Where the usefulness of the GSL program to a particular college and its students depends on frequently changing federal legislation and regulations, the Weingart program estab-

lishes permanent trust funds at individual colleges from which student loans of unvarying aggregate nominal dollar amounts could be made in perpetuity. Where the proceeds of GSL loans enter the accounts of a college as unrestricted revenues, and thereafter become unidentifiable in its accounts, Weingart loans would remain contingent liabilities of the college and assets of its Weingart trust fund. Where a college's involvement with the GSL program ceases with respect to a given loan when the student's eligibility has been certified and his enrollment period is complete, a Weingart loan would represent a continuing relationship between student and college. Where the GSL program is accessible only on the basis of financial need according to federal rules, colleges in the Weingart program have wide discretion in awarding loans. A GSL loan is interest bearing and may be seen by the student as simply a commercial transaction (even though subsidized by the federal government). A Weingart loan carries *no* interest charge, with the intention of stressing the student's moral obligation to repay it and otherwise to support his college in creating educational opportunities for subsequent generations of students.

The key features of the Weingart program thus appear to be permanence and a restructuring of the student credit relationship to one between lending college and a legally *and* morally obligated student.

Lessons for California

It has been argued that the greatest present need of the student financial aid system is for grant funds rather than loans*, but the Weingart program may be seen as having lessons for grant as well as loan programs. There may be important appeal in the idea that sources of aid funds that will be reliable for the long-run are badly needed. So too in the idea of donors having a relatively clear-cut way of tracking the actual use of funds and holding recipient colleges accountable. At the same time, the program demonstrates faith both in the discretion of colleges in choosing the beneficiaries of funds and in the sense of obligation students will display when receiving support from a source less impersonal than the major federal programs. Features having similar appeal and demonstrating similar faith could well be grafted onto other program designs.

* Of course, the heavy subsidies of the Weingart program can be regarded as grants and will result in the constant dollar shrinkage of the revolving funds.

(6)
The Cleveland Scholarship Programs

The Cleveland Scholarship Programs (CSP) was founded in 1967 to provide counseling and financial aid to students from low income families in the Cleveland, Ohio, area. Its aim was to provide aid and services to less than outstanding students who would need such support for their aspirations to attend college to be realized. Services provided include help in identifying possible colleges, assistance with forms and payment of examination and college application fees.

Far more students receive one or more of these services than receive grants. Beginning in the 1970's, CSP shifted its grant-making policy to a "last dollar" basis, i.e. to making awards only after all federal, state, and institutional awards have been made. Individual grants have tended to be smaller as a result, averaging about $350 for 1988-89.

Those eligible for such grants, to cover any remaining need after other aid, are selected after consultation with their high schools by members of CSP's sizable staff. Because of the program's emphasis on services provided by its own staff, grant awards and other payments in behalf of students, are equal to only about 70 percent of its payroll costs.

Features Contributing to Effectiveness

The CSP emphasizes its effectiveness in getting members of its target population into college. Because it is not possible to compare those students who receive its services and grants to those—perhaps similar, perhaps different—who do not, this part of its success story is difficult to assess. However, a carefully conducted retrospective study limited to those students who were eligible for CSP grants from 1967 to 1983 (and 70 percent of whom did receive grants) showed very striking effectiveness in college completion rates: Graduation rates for this group were 85 percent for white students and 75 percent for black students.

It is hard not to believe that both counseling and grants contributed to this success. The message of both the counseling and the "last-dollar" grants is that college is, indeed, financially feasible. The National Longitudinal Study and the High School and Beyond surveys strongly suggest that such "supported aspirations" are strongly correlated with higher college-going rates, both nationally and in California. (See the Eureka Project's report, *The Critical Difference*, chapter 3). The CSP, by continuing to provide such support through the college years, can very plausibly claim effectiveness in retention and, presumably, in recruitment as well.

The "last-dollar" concept has an obvious good fit with the emphasis on counseling. It puts program counselors in a position to guarantee, at low *per* student cost, that all the effort of taking tests and filling out forms will not be frustrated by a lack of money. Also contributing very importantly to the program's success has been, of course, unflagging work with the Cleveland establishment in raising funds, year after year, and good working relationships between the CSP staff and the high schools, their guidance counselors in particular.

Lessons for California

Support services and "last dollar" grants such as those of CSP could well improve college-going rates in many localities of California. It is more difficult to see how these concepts could be adapted to promote attendance at independent colleges specifically. The "last-dollar" concept is particularly troublesome. If, as in Cleveland, the amount of the last-dollar grant were calculated only after the college had made its own award, then the situation of colleges that are under strain because of the need to fund their own aid programs need not improve at all, and only those students applying to colleges without a full need policy would benefit. If, on the other hand, the last-dollar amount were calculated *before* the institution's award, individual awards at independent colleges would often have to be large, and the aggregate fund-raising requirement would be very large also.

Of course, there are ways around these difficulties. For example, a participating independent college and a last-dollar program could agree to make equal contributions to meeting last-dollar need, as calculated before institutional awards. In ef-

fect, all participating colleges would be enabled to implement a full need policy at only half the cost. There are doubtless other ways around the difficulties as well.

(7)
Marin Educational Grants

The Marin Educational Foundation provides funding for a number of student financial assistance programs, only one of which, Marin Educational Grants (MEG), is discussed here. This program is a version of the "last dollar" concept also exemplified by the Cleveland Scholarship Program. Eligibility for a Marin Educational Grant to a dependent student is determined by parental residence in Marin County, graduation of the student from a Marin County high school (public or independent), and enrollment in a degree credit undergraduate program at least half-time. Priority for first-time grants is not based on academic rankings but on relative financial need. Priority over all first time applicants is given to grant renewals, a recognition of the need for continuity of support that is relatively rare among privately funded scholarships.

The "last dollar" concept is represented by a requirement that the student apply for all federal and institutional student aid for which he or she is eligible. The amount of the MEG award is limited by the amount of the student's financial need remaining after any other such awards are made—not, however, to exceed the following amounts:

For community college students, $800
For CSU students, $1,300
For UC students, $2,000
For independent college students, $2,000

Features Contributing to Effectiveness

The rationale for most last dollar programs is motivational: to strengthen motivation to prepare for college by working hard in college preparatory courses and to make the effort required in applying for college admission and seeking out other aid. The Marin program assumes that all of this has already been done when the student applies for Foundation grants. Nonetheless, awareness that the grants are available probably gives important support to college aspirations. The program further provides a kind of insurance that the sum of the components of the student's aid package are more likely to meet full need. The schedule of limits on the amount of the grant to students attending different kinds of institutions provides a modest degree of tuition sensitivity.

Lessons for California

The Marin program is too new for any definitive evaluation. Its existence, however, makes clear that student aid remains on the agenda of major California donors. Another example would be the scholarship programs of the Santa Barbara Foundation.

The Marin program further indicates the urgency of reaching an understanding between donors and colleges, if a program has features that involve it in the packaging process. The "last dollar" concept may give rise to the idea that the student aid packages of students in such a program may be tailored by the college to maximize receipt of last dollar aid and to reduce the college's own burden in supporting the student. If

this idea leads to distrust, the good will on which private sector support of student aid is built could be compromised. What is needed are rules of the road stating openly, and as a matter of policy, how far "last dollar" aid may displace other aid that might be included in the student's package, whether student loans or grants from the college's own funds.

(8)
Lilly Endowment Educational Awards

The Lilly program originated in concerns about lower college going rates in Indiana compared to the nation as a whole. State studies suggested that the lower rates might be explained by the large self-help expectations remaining after parental contributions and federal, state and institutional grants were taken into account. These expectations appeared especially onerous in the case of students from lower middle income families.

The program that was designed in response to these findings attacked the problem very directly. The target of the program was to reduce self-help expectations for all Indiana students attending Indiana institutions to the point where the self-help required would not exceed 50% of the cost of attendance in the case of students attending public institutions. In the case of students attending independent colleges, the Lilly grant would cover only half of the amount needed to reach this target, leaving the rest to be made up by the colleges themselves. Cost projections forced modest curtailment of this plan. In order to have a viable program, within the $50 million allocated by the Foundation and lasting seven or eight years, the 50% self-help target was increased to 57%.

Administration of the program is streamlined. It uses the data and award calculations of federal and state agencies in determining the amount of the student's Lilly grant. The student does not need to submit any information other than what he would file in any case to receive awards from the other agencies. He need only check off a box on a standard Financial Aid Form to indicate that he wishes to be considered.

Features Contributing to Effectiveness

The availability of a large, certain, multi-year grant from the Lilly Foundation made possible a sweeping specification of the problem and an equally sweeping diagnosis and proposed remedy. These factors made it possible to implement a large program of meaningfully-sized grants (an average of about $800) in an uncomplicated way. Also essential has been willingness to rely on standard assessments of family ability to pay, college costs and the processing systems of the College Board and the State Student Assistance Commission. It should be possible, in due course, to evaluate the effectiveness of the Lilly program much more easily than more complicated programs because of the Lilly program's straightforward premises and mechanisms.

Lessons for California

Many believe that self-help expectations have become excessive in California as well as elsewhere in the nation, and that the problem is particularly acute at independent colleges. The Lilly program demon-

strates that the problem can be addressed very directly if solving it is given very high priority and major funding is available. With less (or less reliable) funding and additional priorities—for example, rewarding merit as well as meeting financial need—such a direct approach would be difficult. A statewide consensus about reasonable levels of self-help could, however, be useful in designing a variety of programs. So also would acceptance of common standards for estimating financial need and the availability of other aid that would permit close collaboration with the California Student Aid Commission.